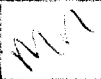


Arizona Corporation Commission

DOCKETED

APR 13 2012

DOCKETED BY	
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ORIGINAL

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2012 APR 13 A 11:31



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2925 Harrison Drive
Chino Valley, AZ 86323
April 11, 2012

Arizona Corporation Commission
Docket Control
1200 W. Washington Street
Phoenix, AZ 85007

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Re: Appaloosa Water Company Water Rate Increase Request Docket No.
W-03443A-11-0040 & No. W-03443A-10-0143

Subject: Intervener's Surrebuttal Testimony and Associated Exhibits in reply to
Applicant's Docketed testimony dated March 26, 2012

Exhibit:

1. Plot plan for JC Ranch Gated Resort dated Feb 23, 2012

Dear Sir:

The testimony submitted by the Appaloosa Water Company dated March 26, 2012 does not address the Balance Sheet discrepancies outlined in this intervener's testimony dated March 19, 2012 and the discrepancies described in concluding that part of the WIFA loan granted the company was used for purposes other than the arsenic treatment equipment installation. It would then seem logical that Appaloosa Water Company does not intend to rebut this testimony.

The applicant for the water rate increase was directed by staff to use 2010 as the base year and yet he has taken the initiative to submit financial data from the year 2011. There is not enough time before the rate request hearing to properly analyze and verify data from 2011.

Since purchasing the water company the applicant has actively pursued efforts to expand its' service area and now it appears that the owner of the water company, acting as a developer, has formulated plans for a manufactured home park on

property immediately north of, and adjacent to, the present water company service area. Please refer to exhibit 1 attached. The capacity of the water company and its' storage facility would need to be expanded to service 74 home sites. In the past the water company has shown as expenses on its' financial reports (a) attorney's fees to contest an obligation of the water company to service 94 home sites in the phase III development of Appaloosa Meadows, (b) expenses related to an effort to vastly expand its service area to include properties to the north and northeast that do not adjoin its service area and (c) engineering surveys and studies for the expansion of its water storage facilities so it could expand its service area. These expenses are not related to serving the existing customers of Appaloosa Water Company and existing customers should not have their rates adjusted to include such non-service related expenses.

Good business practices would seem to dictate that the water company should be a little more prompt and more aggressive in collecting its payments and fees and that those customers that are current should not be expected to pay a higher rate because of the company's shortcomings. Utility companies that have this problem normally require a security deposit due at service initiation.

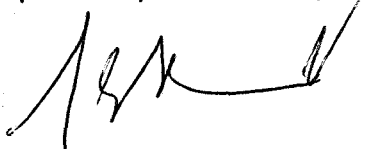
The applicant has stated that there is a problem with the company's meters being encased in a wooden meter box and then leads one to believe that there is a problem with all of the meters which simply is not true. Water meters are water proof and therefore it would appear that it would not be possible for sand to penetrate the meter. If there is a sand problem with the meters it appears that the sand must be in the water system itself and that replacing the meters would not solve the problem.

The applicant has stated that the Chino Valley Fire District has "required" the "Company" to upgrade the storage system which is not a true statement. The Fire District would "like" a 120,000 reserve and yet evidence submitted by the water company does not address what its' reserve requirements are for its' present customers. It appears that the company wants an additional 80,000 storage capacity so that it can extend its' service area. The company has used the correspondence from the Chino Valley Fire District Fire Marshall to tend to justify

a much larger expansion of its storage facilities than are necessary considering the current customer base.

The Comparative Statement of Operations from 2009, 2010 and 2011 do not indicate a significant reduction in revenue as the applicant moves income and expenses around on the statements to try to indicate some kind of economic hardship. There are substantial increases in accounting and legal fees with no explanation. He continues to pay himself \$6000. 00 rent when he has no public office and does not keep office hours. There is difficulty in determining expenses between the water company and the owners' development enterprises.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'JEB', with a long horizontal stroke extending to the right.

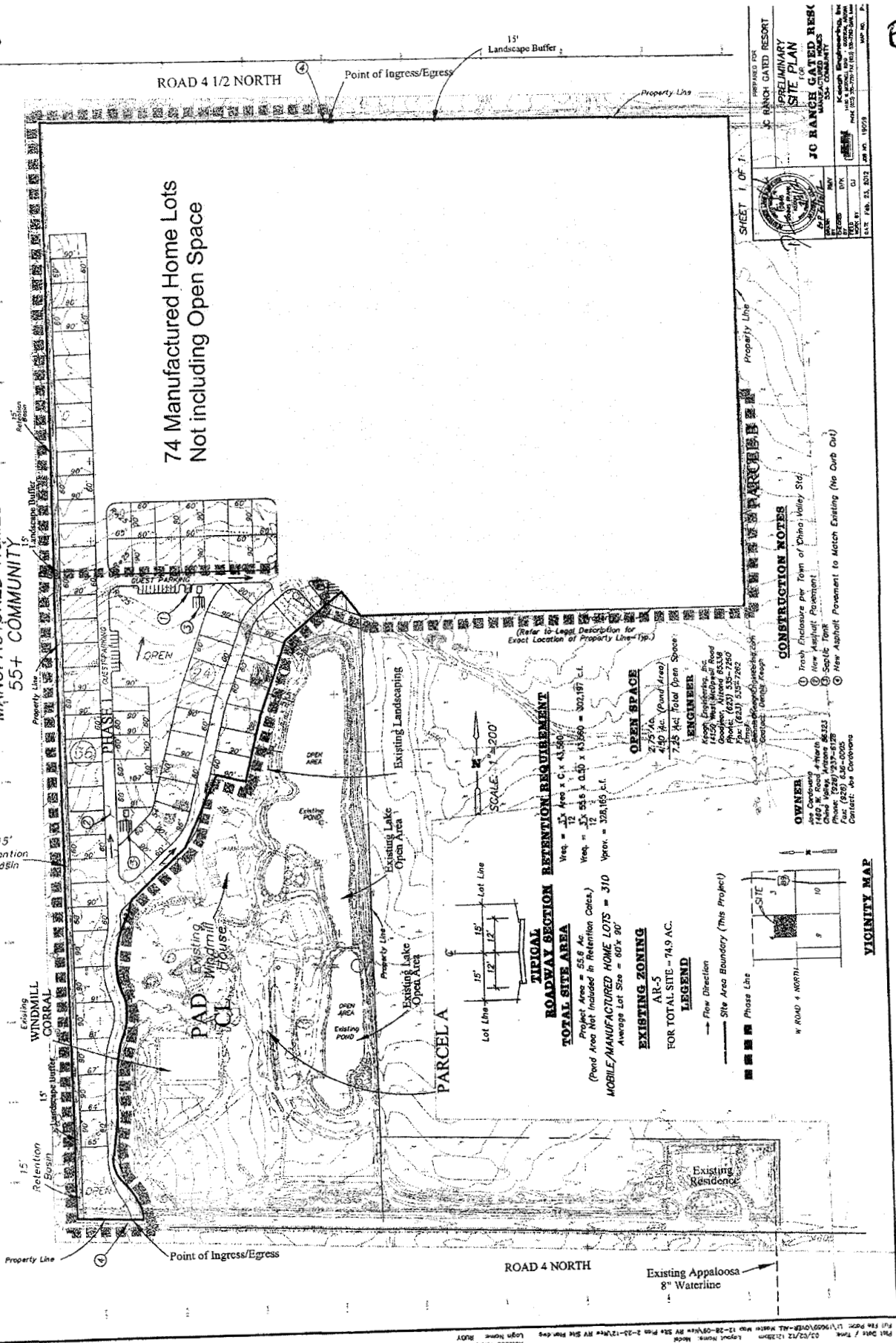
JOHN E. BLANN, JR.

CC: Arizona Corporation Commission (13)
Appaloosa Water Company (1)

EXHIBIT
(1)

JC RANCH GATED RESORT MANUFACTURED HOMES 55+ COMMUNITY

74 Manufactured Home Lots
Not including Open Space



TYPICAL ROADWAY SECTION RETENTION REQUIREMENT

TOTAL SITE AREA
Project Area = 55.6 Ac
(Pond Area Not Included in Retention Calculations)
MOBILE/MANUFACTURED HOME LOTS = 310
Average Lot Size = 60' x 90'

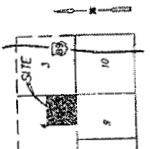
RETENTION REQUIREMENT
V_{req} = 12.5 Acres x C x 43,560
V_{req} = 12.5 x 0.5 x 43,560 = 302,061 C.F.
V_{req} = 328,165 C.F.

OPEN SPACE
27.75 AC.
4.40 AC. (Pond Area)
7.25 AC. Total Open Space

EXISTING ZONING
AR-5
FOR TOTAL SITE - 74.9 AC.

LEGEND

- Flow Direction
- Site Area Boundary (This Project)
- Phase Line



VICINITY MAP

CONSTRUCTION NOTES

1. Trash Enclosure per Town of Chino Valley Std.
2. New Asphalt Pavement
3. Septic Tank
4. New Asphalt Pavement to Match Existing (No Curb Out)

OWNER

JC Ranch
1450 N. Road
Chino Valley, AZ 86316
Phone: (928) 636-0000
Fax: (928) 636-0005
Contact: Art Cardeano

SHEET 1 OF 1

PREPARED FOR

JC RANCH GATED RESORT

PRELIMINARY

SITE PLAN

100

JC RANCH GATED RESORT

55+ COMMUNITY

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